

BUDGET PROCESS

Budget Preparation and Development

While budgeting is a year-long process, preparation begins in December and ends in October of the next calendar year. The procedures governing the preparation, submission, and adoption of Monroe County's annual budget are stipulated in Article IV of the County Charter and Article VI of the Monroe County Administrative Code. The development of the capital budget involves a slightly different process and timing, as also stipulated in Article IV of the Charter.

In December of each year the Chief Financial Officer and Director of Management and Budget brief the County Executive on the financial outlook for the forthcoming and successive budget years. After consultation with the County Executive, detailed budget instructions and specific budget targets are issued to operating departments and authorized agencies by mid-April to guide the preparation of the budget development process. In April and May, department heads and authorized agencies assess department/agency needs, prepare their respective operating budget requests and submit them to the Office of Management and Budget (OMB) on or before the first day of June. OMB staff analyze budgets during the months of July and August. Final budget decisions are made by the County Executive by mid-September, and the County Executive and OMB prepare a proposed budget for submission to the County Legislature on or before the second Tuesday in October.

Budget Adoption

Following submission of the budget to the County Legislature, the Legislature must meet no later than November 15th to deliberate on the budget and also must hold at least one public hearing prior to budget adoption. If the Legislature passes the budget as proposed, no further action is required on the part of the County Executive. If the Legislature changes the budget, the changes must be submitted to the County Executive for her consideration. The County Executive then has 48 hours to approve or disapprove each of the legislative changes. The Legislature can override a County Executive veto within the next 48 hours with a three-fifths majority vote.

If a budget has not been passed on or before the last Tuesday in November, the Legislature must meet every day until the budget is passed. If the budget is not passed by the second Tuesday in December, then the budget as submitted by the County Executive, with any legislative changes agreed to by the County Executive, becomes the adopted budget for the next year. The Monroe County budget takes effect January 1.

Budget Amendments

During the course of a year the budget is routinely amended. The major reasons are to accept grant funding and to respond to unanticipated program requirements which may necessitate changes of authorizations from one portion of the budget to another. Estimated grant funding may be budgeted through the normal cycle in anticipation of grant funding of a program, but when actual grant amounts are verified through the course of a year, the budget has to be amended to account for exact amounts. Budget amendments which involve the acceptance of additional revenues and corresponding changes of expenses have to be approved by the County Legislature. Budget amendments which involve a transfer of expense appropriations among line items may (if they are \$10,000 or less to a particular line item) be approved administratively with the approval of a department head and the Budget Director. Major transfers (amounts in excess of \$10,000 to a particular line item) require the approval of the County Legislature. Since amendments to the budget are done routinely, the year-to-year comparison in the department budgets and in the financial detail is made from the amended previous year budget (rather than the original adopted) to the new budget.

During the budget year quarterly reviews of key appropriation and revenue accounts deemed critical to maintaining a balanced budget are prepared by OMB and submitted to the Legislature. On the basis of these reviews, OMB in cooperation with the Controller, prepares a fourth quarter reallocation to revise appropriations for review and approval by the Legislature in anticipation of the current year close-out.

Capital Budget

Monroe County has a six-year plan for capital improvements, and this plan is updated each year in the form of a Capital Improvement Program (CIP). As required by Article IV of the County Charter, the administration is required to submit an updated CIP to the Legislature by May 1 of each year, and the Legislature is required to approve the plan on or before the first regularly scheduled meeting in July. The first year of that six-year plan becomes the Capital Budget for the next fiscal year (beginning the following January).

The future implications of the CIP projects on the operating budget are noted in the CIP document. Generally, the implications of capital projects on the operating budget have been to either reduce the cost of maintenance or avoid future increases in the cost of maintaining facilities. For some projects, the implication has been to increase costs because of additional staffing and other expenses required to operate expanded facilities. Other projects result in additional operating costs, but generate additional operating revenues which offset these costs.

The CIP document is separate from this operating budget document. For more information, see the "Capital Program/Debt Service" analysis toward the end of this operating budget document.

CITIZENS OF MONROE COUNTY

LEGISLATURE*

COUNTY EXECUTIVE*

Elected Offices

Operating Departments

Staff Departments

County Clerk*

Aviation

Communications

District Attorney*

Board of Elections

Finance

Sheriff*

Environmental Services**

Management & Budget

Human Services

Human Resources

Monroe Community Hospital

Information Services

Parks**

Law

Public Defender

Planning & Development

Public Health

Public Safety

Transportation**

Veterans Services Agency

*** Elected Department Heads**

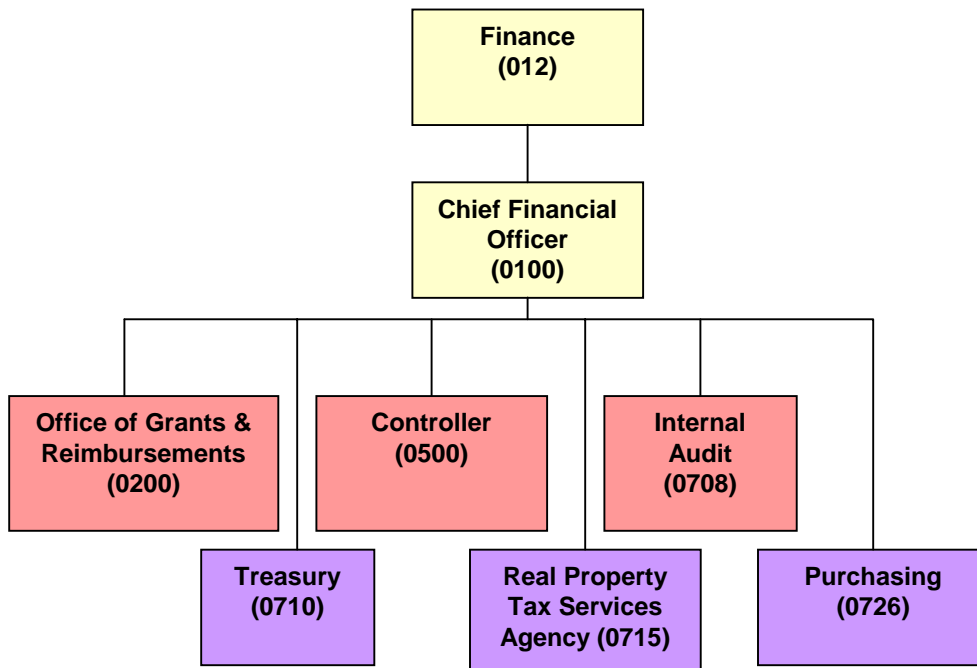
**** Restructuring to be the new Public Works Sector**

ORGANIZATION STRUCTURE

The department is the principal organization level of the county. The organization of county departments is depicted in the chart on the preceding page. Departments are identified either as operating departments, which provide direct services to citizens, or staff departments, which perform functions relating to the support of the operating departments. The County Clerk, District Attorney and Sheriff are directly elected by popular vote as are the County Executive and the 29 County Legislators.

Departments may be separated into divisions, divisions into sections, and sections into units, as necessary, to reach a level which facilitates analysis and understanding. The department level, however, is the level at which the County Legislature actually authorizes appropriations. The number of divisions, sections and units presented generally varies according to a department's size and complexity.

The breakdown for a portion of the Finance Department is shown below. Note that each department is identified by a three-digit number shown in parentheses while divisions and sections are identified by a four-digit number. The numeric code used to reference a particular organizational level within a department is formed by stringing these numbers together with a hyphen in between. For instance, the Internal Audit division of the Finance Department would be referred to as 012-0708.



FINANCIAL STRUCTURE

The county's financial system is organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues, and expenditures. The following fund types and account groups are used by the county:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the county are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the county's governmental fund types:

1. The General Fund is the county's principal operating fund and includes all operations not required to be recorded in other funds.
2. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The county's Special Revenue Funds include the following:
 - The Library Fund accounts for the activities of the Monroe County Library System, which exists to serve member libraries in the county.
 - The Road Fund accounts for certain public works functions relating to maintenance and improvement of county highways.
 - Special Grants Funds administer grants authorized under the Housing and Community Development Act of 1974 and the Job Training Partnership Act of 1984.
3. The Debt Service Fund is used to account for reserve funds established for the retirement of outstanding debt, as well as activities in the county's coupon trust accounts. Other than for the proprietary funds, payments of principal and interest on bond anticipation notes, serial bonds, and capital notes are recorded and appropriated in this fund.
4. Capital Projects Funds are used to account for financial resources to be used for the acquisition of major equipment items and the construction of major capital facilities other than those accounted for in the proprietary funds.

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for ongoing organizations or activities which are similar to those often found in the private sector. The following proprietary funds are used by the county:

1. Enterprise Funds are used to account for operations that provide services to the public and are financed primarily by user charges. The county's enterprise funds include Monroe Community Hospital, Pure Waters, the Airport and Solid Waste.
 - Monroe Community Hospital is a health-related facility for the care and treatment of the chronically ill.

- Pure Waters includes the financing of wastewater management public improvements, as well as operations and maintenance services which benefit the properties against which user fees are charged.
 - The Greater Rochester International Airport is served by a number of major air carriers and commuter lines providing air carrier services, as well as other related facilities and services. The facility, which is owned by the county, has been leased to the Monroe County Airport Authority, but under the Lease and Operating Agreement, continues to be operated by the county through the Airport Enterprise Fund.
 - Solid Waste finances the county's waste disposal and recycling operations.
2. Internal Service Funds are used to account for special activities or services provided by one department of the county to other departments or to other governments on a cost reimbursement basis. Included in this category are the following:
- Building Operations provides for the operation and maintenance of county-owned buildings including the Hall of Justice, County Office Building, Civic Center Complex, Health and Social Services Building and the Iola Campus.
 - Central Services provides centralized purchasing of duplicating supplies, including the lease and maintenance of copying equipment. Also provided are interdepartmental and public mailing services, and the centralized management of records.
 - Fleet Services provides for and services county-owned vehicles and motor equipment.
 - Information Services provides central electronic information services (data processing).
 - Risk Management provides for the county's insurance requirements for general liability, workers' compensation and unemployment coverage. These funds are also used to account for certain claims and judgments.

BASIS OF BUDGETING / ACCOUNTING MEASUREMENT FOCUS

The Monroe County budget is prepared in accordance with generally accepted accounting principles with the exception of encumbrances, which are considered expenditures in the period during which the commitment is made.

Governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when measurable and available to pay current liabilities. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded as expenditures when paid, and compensated absences which are recognized as a liability in the applicable fund when due and payable.

Proprietary funds are accounted for using the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

BUDGET FORMAT

The budget document consists of two major parts: the program description or "Department" budget and the line item or "Financial Detail" portion.

The program budget is organized by department number. For each department, an organization chart is presented which shows the breakdown of the department into its organizational components (divisions, sections, and units). For small departments that are not subdivided organizationally, the organization chart reflects the primary functions, or activities of the department. Pie charts for each Department display total appropriations, revenues and the resulted net county. In addition, there is a pie chart depicting the percentage of Mandated vs. Non-Mandated Services performed by each department along with a small description of these services.

Budget information is presented for each major organizational component within a department. While most budget pages follow the format described below, the format for some pages may vary slightly to include fee schedules or relevant statistical information in the form of bar charts, additional pie charts, or tables. Generally, the page format contains the following components:

Descriptions of each major organizational component summarize the functions of the organization and include relevant information regarding any recent or proposed organizational or programmatic changes. Descriptions are also provided for the organization's subdivisions, usually sections or units.

Mission, Accomplishments and Objectives detail the philosophy of each department as well as what the department has accomplished in 2004 and the goals of 2005.

Budget Summary presents appropriations by major category of expense, revenue by major source, and the net county support required by the organization. The net county support amount is the difference between a department's appropriations and its anticipated revenue and represents the amount of support required from property taxes and other general fund revenues. Financial data is presented for the 2004 budget as amended and the 2005 budget as proposed.

Budget Highlights explain major variances in expenses and revenues from 2004 to 2005. The reasons for an expense variance may include the addition, elimination, or transfer of personnel; purchase of new equipment; expansion or reduction of a contractual service, etc. Revenue changes may result from changes in state or federal aid formulae; fee schedule revisions, etc.

Performance Measures present data about the organization's input, output, service quality and efficiencies. Measures for the previous year, current year and budget year are presented.

Staff tables (a separate section in the back of the book) show the personnel for 2005 by title, number of positions, and pay group. Salary Schedules (a separate section in the back of the book) relate pay groups to annual salary amounts.

The Financial Detail portion of the budget document shows expenses and revenues in a line item format for major organizational components within each department. Departments are presented in order by financial system account number. The financial data shows the actual expenses and revenues for 2003, the appropriations and revenues in the 2004 budget as amended through August, each department's funding request and revenue estimates for 2005, and the County Executive's proposed budget for 2005.

DEFINITION OF TERMS

ADOPTED BUDGET

This is the annual operating budget plan for the upcoming fiscal year as formally approved by the County Legislature pursuant to the provisions of Article IV of the County Charter and in Article VI of the County Administrative Code.

AMENDED BUDGET

This is the budget with changes in appropriations and revenues which occur after adoption of the budget by the County Legislature. Generally these changes result from appropriation transfers among line items and the acceptance of grant funds during the year.

APPROPRIATED FUND BALANCE

The amount of fund balance estimated to be available from previous years and designated for use in the current year. The equation for a balanced budget is: Appropriations = Estimated Revenues + Appropriated Fund Balance.

APPROPRIATIONS

An authorization granted by the County Legislature to make expenditures and to incur obligations for specific purposes. An appropriation is limited in amount and to the time period during which it may be expended. Appropriations are divided into nine budgetary categories, each of which represents a unique type of expense and which facilitates an accounting of the use of county resources.

ASSESSED VALUATION

A value set upon real estate or other property by a government as a basis for levying taxes. In some cases the value may only be a fraction of the property's market value.

ASSESSED VALUE TAX RATE

The amount of tax levied for each \$1,000 of assessed valuation.

ATTRIBUTABLE REVENUE

The revenue generated as a direct consequence of the provision of a specific governmental activity, such as fees for service, state or federal aid for programs and income from sales. If the government no longer provided the service, the revenue would also stop.

AUTHORIZED POSITION

The status assigned to a position that has been created by either the County Legislature or the County Executive.

BUDGET

A plan of financial operation including estimates of proposed expenditures for a given period and the proposed means of financing them. It is generally a financial plan for a single fiscal year. For additional information, see Operating Budget and Capital Budget.

BUDGET HIGHLIGHTS

Explanations of major variances in expenses and revenues are found in the Budget Highlights that follow each Budget Summary. The reasons for an expense variance may include the addition, elimination, or transfer of personnel; purchase of new equipment; expansion or reduction of a contractual service, etc. Revenue changes may result from changes in state or federal aid formulae, fee schedule revisions, etc.

CAPITAL BUDGET

The annual spending plan for major improvements and construction projects which are defined as capital projects (see below). It provides project details, project priority ratings, costs and funding sources.

CAPITAL FUND

An authorization by the County Legislature to spend a defined amount for a particular item or category of items (e.g. "construct a new building" or "reconstruct several culverts"). Each fund has a separate authorizing resolution by the Legislature. The source of funding is usually the sale of bonds or notes, but it might also include an operating budget appropriation (see "Cash Capital"), federal or state aid or share funding by the City of Rochester, the Monroe County Water Authority, a town, or a village.

CAPITAL IMPROVEMENT PROGRAM (CIP)

The six-year spending plan for major improvements and construction projects. It provides detail at summary level by functional area and department, funding source and year. The first year of a capital improvement program becomes the proposed capital budget for the next fiscal year.

CAPITAL PROJECT

Any object which is acquired, constructed or renovated having a useful life of three years or longer as defined under the New York State General Municipal Law, Section 11, with a "Period of Probable Usefulness."

CASH CAPITAL (PROVISION FOR CAPITAL EXPENSE)

One of the nine major object classes used to categorize appropriations. Operating funds designated specifically for capital projects in order to avoid long-term debt financing are "Cash Capital."

CONSTITUTIONAL DEBT LIMIT

In accordance with Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, this limits the amount of debt which can be incurred to 7% of the five-year average full value of taxable real property.

CONSTITUTIONAL TAX LIMIT

In accordance with Section 10 of Article VIII of the State Constitution, this limits the amount Monroe County may raise in real estate taxes in any fiscal year, exclusive of debt service, to 1.5% of the five-year average full value of taxable real estate of the county.

CONTINGENCY ACCOUNT

A budgetary reserve fund established for unforeseen expenditures not otherwise budgeted. The County Legislature must approve each expense against this fund.

CONTRACTED DEBT SERVICE

The reimbursement to other parties for principal and interest payments made by these parties on amounts borrowed for capital purposes.

DEBT SERVICE

The principal and interest payments for obligations incurred by borrowing to finance capital projects. These payments are similar to mortgage payments on a home.

DEPARTMENT

The highest organizational level for the provision and delivery of a specific government service or closely related services. A department may be comprised of divisions, sections and units.

DIVISION

The major organizational component of a department.

EMPLOYEE BENEFITS

One of the nine major object classes used to categorize appropriations. Employee Benefits include retirement, social security, medical and dental insurance, unemployment insurance and workers' compensation benefits.

ENTERPRISE FUND

A governmental accounting fund in which services provided are financed and operated similarly to those of a private business. User charges provide the majority of revenues necessary to support its operation.

EQUALIZATION RATE

A means for converting the assessed value of property to its full value.

EQUIPMENT

One of the nine major object classes used to categorize appropriations. Equipment includes county appropriations for office, computers, construction, plant, laboratory, grounds or motor vehicles, landscaping, law enforcement, safety, tools and shop equipment.

EXECUTIVE'S MESSAGE

A general discussion of the proposed budget as presented in writing by the County Executive to the Legislature.

EXPENSES

One of the nine major object classes used to categorize appropriations. Examples of expenses are travel, mileage, memberships, equipment maintenance, rental of equipment, clothing, telephones, utilities, contracts for services, rental of space and rental of equipment.

FINANCIAL DETAIL (LINE ITEM BUDGET)

The part of the budget document that provides line item information on appropriations and revenues for each department. Actual figures are given for the preceding fiscal year, while financial data is also provided for the current year amended budget, and the department request and County Executive's estimate for the budget year.

FULL-TIME EMPLOYEE

The status assigned to an employee working 25 hours or more a week entitling the employee to benefits.

FULL VALUATION

The term used to indicate a property appraisal at 100% of market value at a specified prior point in time.

FULL VALUE TAX RATE

The amount of tax levied for each \$1,000 of full valuation.

FUND

A self-balancing group of related accounts.

FUND BALANCE

In fund accounting, Fund Balance = Assets - Liabilities. It is analogous to Retained Earnings in a business enterprise.

GENERAL FUND

The accounts of the county are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The General Fund is the county's principal operating fund, accounting for all financial resources not required to be recorded in other funds. Other types of funds consist of Enterprise, Debt Service, Internal Service and Special Revenue Funds such as the Library Fund and the County Road Fund.

GRANT

Funding from sources outside the county (federal, state or private) to conduct a specific program to achieve a specific purpose.

HOTEL ROOM OCCUPANCY TAX

This is a tax calculated as a percentage of the cost of room occupancy on a daily basis (hotel, motel, bed and breakfast, etc.). The rate of taxation is 6% in addition to the standard combined sales tax rate (see the analysis of the Hotel Room Occupancy Tax in the Tax Analyses part of this budget).

ICAP (INDIRECT COST ALLOCATION PLAN)

This federally approved plan refers to the allocation of expenses of staff departments.

INTEREST ON INDEBTEDNESS

One of the nine major object classes used to categorize appropriations. Interest on Indebtedness includes the annual interest payment on bonds and notes issued by the county to finance capital projects.

INTERFUND TRANSFERS

One of the nine major object classes used to categorize appropriations. The Interfund Transfer appropriation represents the expense to one county department for services or supplies provided by another county department.

INTERNAL SERVICES

Services charged by a county department to other county departments. These services are consumed internally in the operations of county departments and are principally financed by charges to user departments.

INTERNAL SERVICES DISTRIBUTION

An allocation of the budgeted costs of the Internal Services operations to the users of the services.

LINE ITEM BUDGET (SEE "FINANCIAL DETAIL")

MANDATED SERVICES

Mandated services are those for which the county is required to provide through either federal or state law. The level of control of these services can range from no control to some control over the level of service provided. Federal/State initiatives, services that are significantly reimbursed by federal/state aid, are also included as mandated services.

NET COUNTY SUPPORT

The difference between appropriations and attributable revenue which must be raised through the property tax levy or non-attributable revenue.

NON-ATTRIBUTABLE REVENUE

The revenue flowing into the county which is not the direct consequence of providing a specific governmental service. Examples include Sales Tax, Off-Track Betting earnings and interest earned on investments. This revenue, together with the property tax, provides the net county support for programs.

NON-MANDATED SERVICES

Non-mandated services are those for which there is no federal or state requirement, nor is otherwise initiated by another level of government, but may be required by county charter.

OBJECT

A subcategory of expense such as salaries, overtime and longevity within an object class (see Object Class).

OBJECT CLASS

A major category of budget appropriation. Monroe County's financial system uses nine object classes:

<u>System Level</u>	<u>Object Class</u>
1000	Personal Services
2000	Equipment
3000	Provision for Capital Expense (Cash Capital)
4000	Expenses
5000	Supplies and Materials
6000	Principal on Debt
7000	Interest on Debt
8000	Employee Benefits
9000	Interfund Transfers

OPERATING BUDGET

The annual spending and program plan for county operations and services. It includes appropriations by category of expense and revenue estimates to support county operations and services.

PART-TIME EMPLOYEE

The status assigned to an employee working fewer than 25 hours a week and generally entitled to no fringe benefits.

PAY GROUP

Designation within the salary schedule establishing the compensation range for each class of position.

PERSONAL SERVICES

One of the nine major object classes used to categorize appropriations. Personal Services appropriations include salaries for full-time and part-time employees, overtime costs, shift differential, holiday pay, longevity, educational reimbursement and mandated training.

PRINCIPAL ON INDEBTEDNESS

One of the nine major object classes used to categorize appropriations. Principal is the amount originally borrowed to finance capital projects and principal payments redeem part of the amount borrowed.

PROGRAM BUDGET

The main part of the Monroe County budget consists of department budgets which describe the programs that the county administers. Each department, division and section has a description which is intended to explain the services it provides or the program it carries out. Most departments also have a Strategic Framework in accordance with the implementation of Quality Management throughout the county government. This provides further elaboration on the program.

PROPOSED BUDGET

The budget plan for the upcoming fiscal year recommended by the County Executive to the County Legislature for its formal approval. The budget is "proposed" until it is formally approved or "adopted" by the County Legislature.

PROVISION FOR CAPITAL EXPENSE (SEE "CASH CAPITAL")

REAL PROPERTY TAX

This is a tax on real estate based on the assessed value and the full or partial taxable status of property. Rates of taxation for county purposes vary among the taxing jurisdictions in the county depending on the assessment practice of each jurisdiction. See the analysis of the Monroe County Real Property Tax in the Tax Analyses part of this budget.

REVENUES

The general category for all operating income accounts which finance county services.

SALES TAX

A tax as a percentage of retail sales (with the general exceptions of food, pharmaceuticals, and other medical supplies) is levied by the State of New York and Monroe County. See the analysis of the Monroe County Sales Tax in the Tax Analyses part of this budget.

SALES TAX CREDIT

The City of Rochester, villages, and school districts in Monroe County receive cash payments for their entire shares of sales tax. In towns outside of villages, property owners receive the benefit of the aggregate first \$55 million sales tax directly through a credit which reduces their property tax bills and represents their proportionate share of sales tax allocated to the town. Beginning in 1996 the town aggregate amount over \$55 million is distributed to the town governments in direct cash payments.

SEASONAL EMPLOYEE

The status assigned to an employee working a portion of the fiscal year and entitled to minimal fringe benefits.

SECTION

An organizational component of a division.

STAFF

A major section of the budget page that lists the proposed personnel by title, number of positions and pay group.

SUPPLIES AND MATERIALS

One of the nine major object classes used to categorize appropriations. Examples of Supplies and Materials appropriations are consumable items such as office, construction, technical, institutional, medical and laboratory, landscaping, law enforcement, safety, recreational, chemical supplies, computer software, fuel and gasoline, motor oil, vehicle parts, clothing, books and periodicals.

TAX LEVY

The total amount to be raised by the general real estate or property tax.

TAX RATE

The amount of tax levied for each \$1,000 of assessed or full valuation.

UNALLOCATED EXPENSE/REVENUE

Appropriations and revenues not directly related to any department operations are included in the Unallocated Expense/Unallocated Revenue part of the budget. Examples of such appropriations are the contingency account, the contribution to the Regional Transportation Authority, and several debt service accounts for purposes such as the Water Authority and the Outdoor Sports Facility. Revenues include the real property tax, sales tax, interest earned on investments and several other categories.

UNIT

An organizational component of a section.

UNIT CHARGES

The charges to users in Pure Waters districts based upon water consumption and/or assessed value.

USER FEE

The payment of a fee for direct receipt of a public service by the party benefiting from the service.